

# Fairfax County Economic Index

Volume I, Number 6

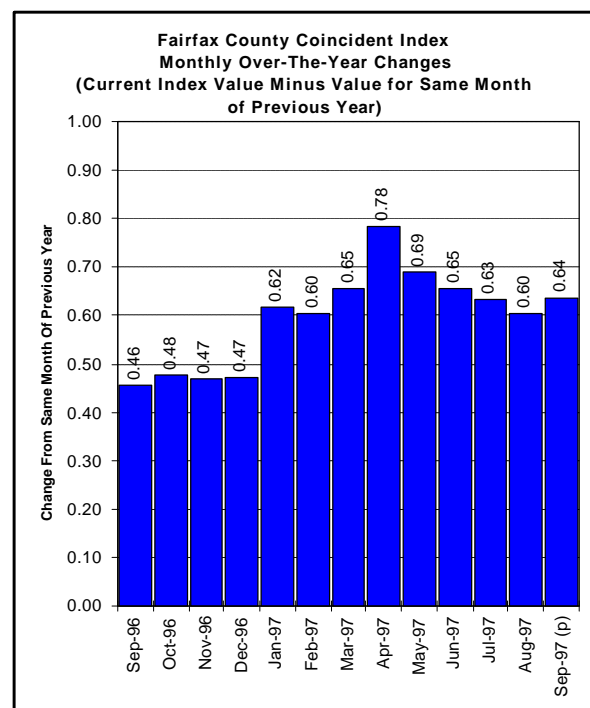
NOVEMBER 1997

## Economic Expansion Moderates Outlook Remains Good in 1998

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased just 0.02 percent in September, extending its consecutive monthly growth to a fourth month. Over the past 12 months, the Index has gained nine times for a total of 0.62 percent. In September, two of the Index's four components were positive.

- Total employment increased for a third month in a row and eleventh time in 12 months; and
- Sales tax receipts were up for a third month; while
- Transient Occupancy Tax collections declined for a second month; and
- Consumer confidence was down for the second time in three months.

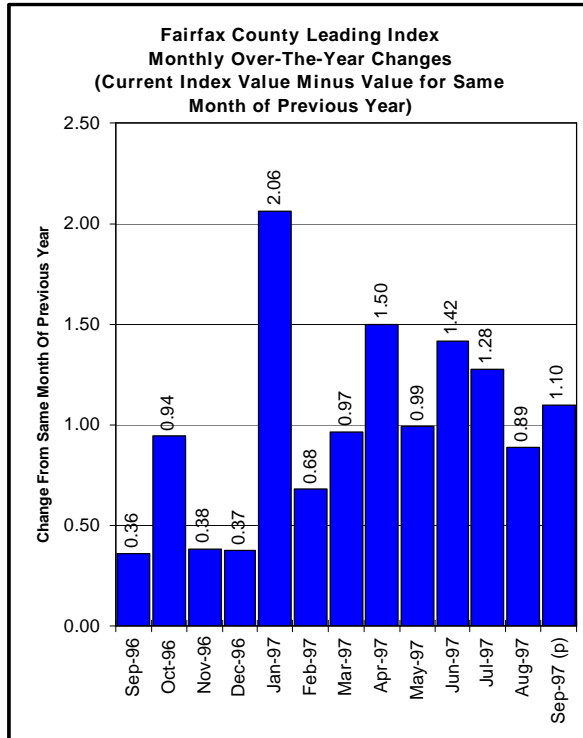
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, increased moderately in September, gaining 0.38 percent. Still, even with this increase, the Index has been trending lower over the past five months and now stands at its April level. However, for the past 12 months, the Leading Index is up 1.07 percent. In September, three of the Index's



Source: GMU Center for Regional Analysis.

five components contributed to its increase.

- Consumer expectations increased in September for the second consecutive month;
- The average value of residential building permits was up sharply after declining for two months; and



Source: GMU Center for Regional Analysis.

- Initial claims for unemployment insurance declined (improved) significantly nearly offsetting its combined increases in July and August; but
- New automobile registrations declined for a second month; and
- The number of residential building permits issued fell after growing for two months.

The County's economy continues to grow at a strong rate, but its indices began a very gradual slowdown during the third quarter. With the Leading Index's positive trend during the year's first half, the County's strong performance is likely to continue into early 1998. However, with the Leading Index retreating in July and August, it may be pointing to slower future growth. How the Index performs during the year's final quarter will provide a good measure of next year's likely growth trend.

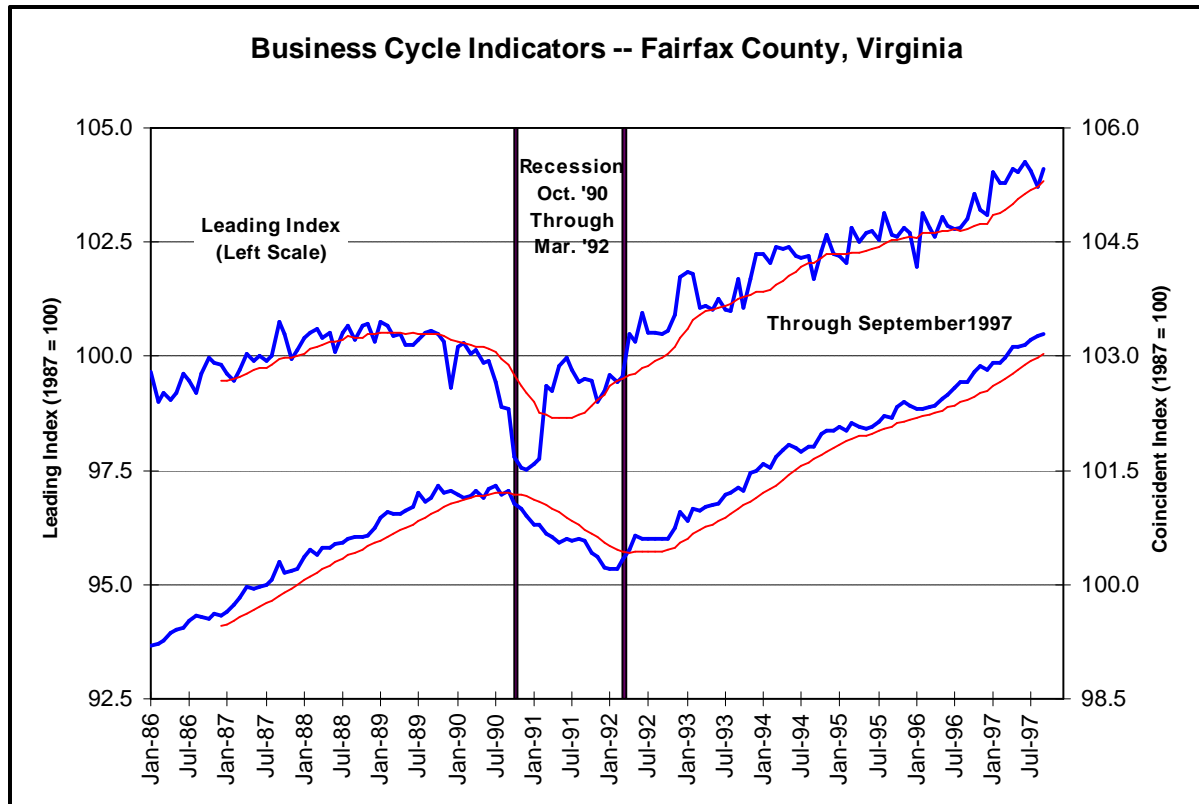
*We are on the web at:*  
[www.co.fairfax.va.us/comm/economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)

## CURRENT CONDITIONS

By all measures, Fairfax County's economy performed well in September, although there was some evidence of softening that is consistent with the broader trends now evident in both the metropolitan area and nation. The economy's strength continues to be its ability to generate jobs. For the past 12 months, the County's total employment base is estimated to have added 19,983 net new jobs, a gain of 4.6 percent. Over this same period, the Washington metropolitan area generated 43,500 new jobs for a gain of just 1.8 percent. Thus, job growth in Fairfax County accounted for 46 percent of all new jobs in the metropolitan area. Besides generating a large number of new jobs, the County's economy is also generating good jobs with gains in business services and engineering and management services accounting for a disproportionately large share of the new job growth.

A further sign of strength in the labor market is the County's low unemployment rate of 2.3 percent, down from 2.7 percent a year ago. While September's sharp decline in initial unemployment claims had more to do with settling the UPS strike than the growth of the economy, the trend in claims over the year has been down as the growth of jobs has brought unemployed labor into the employment base.

The signs of growing weakness in the economy relate to consumer spending and the likelihood that this spending, which is critically important to the economy's health during the fourth quarter, could weaken further in face of growing volatility in the stock market and eroding consumer confidence. In September, the consumer confidence index retreated 3 percent and was down slightly again in October. Additionally, while retail sales have continued to increase through September, a sudden drop in confidence will translate quickly into lower sales. At the national level, retail sales declined in both September and October. Big ticket items usually reflect the loss of confidence first and the County's auto sales were down in September. It is too early to label this a trend, but it is a threat and, with the holiday shopping season underway, the



Source: GMU Center for Regional Analysis.

County's economy is vulnerable to the negative effects of growing consumer uncertainty.

### ***NEAR-TERM OUTLOOK***

The Leading Index showed renewed strength in September, but continues to point to more moderate growth in 1998. Because of the volatility in the Index since the beginning of the year, its long-term trend is difficult to discern on a month-by-month basis. Still, the slowdown in several of its key components shows the leading edge of the economy to be slowing.

Interest rate-sensitive purchases have declined even though interest rates have remained stable. Auto sales were down slightly in September and for the year are up just 2.1 percent. And, residential building permits were down sharply in September and have declined in six of the year's nine months.

Just how sensitive the County's economy is to outside threats such as declines in the stock market and this month's crisis with Iraq and how

these events will impact consumer spending will determine the economy's short-term growth path. Local growth is likely to slow if the Federal Reserve Board tightens interest rates, or if economic expansion on the national level moderates. The question now is whether the County's inherent economic strength will mitigate the effects of these short-term external impacts on consumer confidence and spending during the holidays and allow the economy to continue its very gradual deceleration into next year, or will growing uncertainty accelerate the economy's slowdown during the current quarter. The performance of the County's indicators during the fourth quarter will answer these questions and set the economy's performance expectations for 1998.

### ***IMPACT ON COUNTY REVENUES***

While the County's economy, as measured by the Coincident Index, is experiencing an expansion, County revenue sources are expected to continue to experience moderate growth.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Sep-97 Prelim.	Aug-97 Final	Sep-96 Final	Aug-97 to Sep-97	Sep-96 to Sep-97
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	103.29	103.27	102.66	0.02	0.62
Leading Index (1987 = 100)	104.11	103.72	103.01	0.38	1.07
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	452,751	451,172	432,768	0.35	4.62
<i>Total Covered Employment (Unadjusted)</i>	<i>454,045</i>	<i>451,104</i>	<i>434,006</i>	<i>0.65</i>	<i>4.62</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	281.8	286.2	241.8	-1.56	16.53
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>411.5</i>	<i>444.6</i>	<i>345.9</i>	<i>-7.45</i>	<i>18.97</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,192.3	6,766.1	6,564.1	6.30	9.57
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,064.2</i>	<i>8,044.0</i>	<i>8,233.2</i>	<i>12.68</i>	<i>10.09</i>
South Atlantic Consumer Confidence	164.8	169.9	147.1	-3.00	12.03
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	4,576	4,646	4,480	-1.50	2.14
<i>Automobile Registrations (Unadjusted)</i>	<i>5,204</i>	<i>5,252</i>	<i>5,095</i>	<i>-0.91</i>	<i>2.14</i>
Initial Unemployment Claims (Seasonally Adjusted)	786	984	905	-20.15	-13.19
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>658</i>	<i>908</i>	<i>758</i>	<i>-27.53</i>	<i>-13.19</i>
South Atlantic Consumer Expectations	117.2	114.1	100.4	2.72	16.73
Residential Building Permits (Number of Units, Seasonally Adjusted)	263	917	546	-71.33	-51.88
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>282</i>	<i>1,031</i>	<i>586</i>	<i>-72.65</i>	<i>-51.88</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	86,719	49,389	62,066	75.59	39.72
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>110,330</i>	<i>67,098</i>	<i>78,375</i>	<i>64.43</i>	<i>40.77</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	535,255	531,975	503,846	0.62	6.23
<i>Total Labor Force (Unadjusted)</i>	<i>531,401</i>	<i>539,311</i>	<i>500,218</i>	<i>-1.47</i>	<i>6.23</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.28	2.37	2.72	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.46</i>	<i>2.43</i>	<i>2.93</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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